

Keynote remarks by  
**Tony T. Brown, Director**

Community Development Financial  
Institutions Fund (CDFI)

to the

Board of Directors  
of the  
Iowa Bankers Association

April 24, 2003  
Johnston, Iowa

CDFI  
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**Remarks by Tony T. Brown, Director  
Community Development Financial Institutions (CDFI) Fund  
U.S Department of the Treasury  
to the  
Board of Directors  
of the  
Iowa Bankers Association**

**Johnston, Iowa  
April 24, 2003**

Good afternoon. Thank you, John for your kind introduction. I want to thank you for your valuable help in arranging my visit to Iowa.

President Bush appointed John to serve on the Department of Treasury's Community Development Advisory Board and give advice to the CDFI Fund. We are honored to have John Rigler on our board. In the short time that he has been appointed, he has been an active and contributing member.

Thanks to John, today I am visiting with bankers, Iowa's Department of Economic Development and I am scheduled to meet with a group of MBA & MPA students. In each of these meetings, I will have the opportunity to talk about access to capital and the President's Job and Growth Package.

Let me also thank the Iowa Bankers Association for allowing me to participate and make a very important presentation on behalf of the Bush Administration. I always enjoy speaking to bankers. You represent the lifeline to capitalism. You understand the economy and the role of capital to business. Prior to joining Treasury, I spent nearly 20 years as a banker, largely in the area of community development finance.

I invite you to spend time to learn more about the Community Development Financial Institution Fund at the Department of Treasury. I left information that provides an overview of the Fund's programs.

Our vision at the Fund is to have an America in which all people have access to credit, capital, and affordable financial services. Our strategic focus is to "improve economic conditions in underserved areas through better access to capital and financial services."

Along with protecting our national security, the President's top priority for the nation is to strengthen our economic security and to help those who want and need jobs find them. In particular, President Bush cares a great deal about extending jobs and opportunities to America's poorest and hardest hit communities.

The CDFI Fund's tools for delivering enhanced access to capital is through certified community development financial institutions (CDFIs), regulated banks and thrifts and now, with the introduction of the New Markets Tax Credit Program, we can include certified community development entities (CDEs).

The Fund promotes access to capital and local economic growth in three ways:

- 1) through our CDFI Program, by directly investing in and supporting community development financial institutions (CDFIs);
  - In Iowa, we have certified 6 institutions as CDFIs and we have awarded 8 organizations \$4.3 million in funding, two of which received technical assistance funding and are currently in the certification process.
  - Here in Des Moines, the Neighborhood Finance Corporation was awarded \$2.5 million in 2000 to expand its mortgage program and provide short-term bridge financing for construction of affordable housing in Des Moines' low-income communities.
- 2) through our Bank Enterprise Award (BEA) Program, by providing an incentive to banks and thrifts (FDIC-insured depositories) to invest in their communities and in other CDFIs, and
  - The Fund has awarded almost \$500,000 to banks and thrifts in Iowa for their support of CDFIs and for increased financial services in Iowa's economically distressed communities.
  - Here in Des Moines, Commercial Federal bank was awarded \$225,000 in 2001 and Wells Fargo was also awarded \$150,000 the same year.
- 3) the New Markets Tax Credit (NMTC) Program, by providing an allocation of tax credits to Community Development Entities (CDEs) which will enable them to attract investments from the private sector and then reinvest these amounts in low-income communities.
  - In Iowa, we have certified 10 CDEs.

I will visit later today with Iowa's Department of Economic Development to talk about the New Markets Tax Credit Program.

However, briefly, here's how NMTCs work:

- Tax credits are allocated for investments made in organizations known as Community Development Entity (CDE), which are certified by the CDFI Fund.
- To qualify as a CDE, the entity must have a mission of community development and demonstrate accountability to the low-income communities it;
- The CDE applies for an allocation of NMTCs. The first round of the NMTC Program was announced in March. I will provide some details on the applicant pool in a moment;
- If the CDE receives an NMTC allocation, it will use its allocation of NMTCs to raise equity from private investors;
- Investors can receive NMTCs worth 39% of the amount invested in the CDE over the seven-year life of the credit (5% in the first three years; 6% in the next four years);
- Investors need to make their investments in a CDE, certified by the CDFI Fund;



- The proceeds from these investments must be used by the CDE to make Qualified Low-Income Community Investments (QLICs); and
- My research staff informs me 174 out of 793 total tracts in Iowa (22%) qualify as eligible investment areas under the NMTC Program.

Last month, I traveled with Treasury Secretary John Snow who announced the winners of the first round of the NMTC Program. The Secretary announced 66 organizations nationwide that will receive \$2.5 billion in New Markets Tax Credits this year.

These organizations truly represent the best of the best among innovative, community-oriented economic development organizations in this country.

The NMTC is proving to be a great tool for bankers. The allocatees in the recent round showed extensive participation with regulated financial institutions:

- 16 allocatees (24 percent) were either banks or indicated affiliation with banks or subsidiaries of banks. These CDEs will be allocated the authority to issue an aggregate of \$606 million in equity for which NMTCs may be claimed.
- And the vast majority of these 16 bank-awardees (13 of 16) are local institutions - including three certified CDFI banks. Only three of 66 allocatees were affiliated with national or regional banks.

These bank affiliated CDEs will use their allocations to: provide loan products to small businesses, community facilities and real estate developers; and establish a commercial real estate investment fund that will provide flexible financing in the form of equity, senior, or mezzanine debt in a variety of real estate projects (retail, office, industrial, mixed-use, for-sale housing and community facility projects); and provide small businesses with flexible forms of financing and technical assistance, among other uses.

At Treasury, we are excited about the potential of the NMTC Program. This \$15 billion program has the potential to stimulate private investment in the nation's low-income communities, creating jobs and opportunities for Americans who might not otherwise have them.

President Bush cares a great deal about extending compassionate conservatism to America's poorest and hardest hit communities. The New Markets Tax Credit Program does just that: it provides serious resources and incentives for private investment, and it does so in a way that holds participants accountable for producing results.

I just shared with you some of the specific tools Treasury has to help you serve your state's low-income communities. I would like to conclude my remarks by commenting on the President's Jobs and Growth Plan -the President's economic plan for all of America.

The nation needs quick action by our Congress on a pro-growth economic package. Last week, the Congress passed a budget that provided for \$550 billion in tax relief. The President will work with Congress to get a final jobs and growth package that is at

least that size and includes all the elements of tax relief he proposed to grow the economy and create the greatest number of new jobs for American workers.

The President's plan includes:

- Across the board tax rate reductions that would start showing up in every taxpayer's paycheck soon after the plan is enacted;
- Accelerated relief from the marriage penalty for working couples;
- An increase in the child tax credit from \$600 to \$1,000 per child. Families would get that extra \$400 per child in a check mailed to them weeks after the bill is signed.

This is tax relief that Republicans and Democrats in Congress already passed in 2001 and promised for future years. The President believes the time to deliver it is now when it can do the most good for families and businesses. If tax relief is good for Americans three, or five, or seven years from now, it is even better for Americans today.

In Iowa, 940,000 taxpayers will have lower income tax bills in 2003 under the President's growth package. The President's plan will also allow 240,000 business taxpayers in Iowa alone to use their tax savings to invest in new equipment, hire additional workers, and increase pay.

The President will also push for ending the unfair double tax on dividends. He believes it's fair to tax a company's profits once; but it's unfair to tax that dollar twice when it is paid out to shareholders. Double taxation means that for every dollar of profit a company could pay out in dividends, as little as 40 cents actually reaches American shareholders. Double taxation is wrong, and it falls hardest on seniors, who rely on dividend income for their retirement.

In Iowa, 315,000 taxpayers will benefit from the exclusion of dividends paid from previously taxed corporate income.

Ending the double tax on dividends will help create new jobs-more than 1/3rd of the new jobs that will result from the President's plan. Experts say it will also give the stock market a much-needed boost, benefiting everyone who owns a 401K or other retirement account. More than half of all households today own stock in some form and would benefit.

The President's plan also benefits our nation's small businesses. In a Rose Garden event last week with small business owners, the President spoke of the importance of small businesses to our nation's economy.

The president recognized small business as "one of the great strengths of this country: the spirit of free enterprise, the willingness to take risks, the hard work required to move this economy forward."

Small businesses will also benefit under the President's plan, which triples the amount they can write off on the purchase of new equipment such as computers and machinery.





The benefits of the President's growth plan will come from increased consumer spending and, as importantly, from lower income tax rates on the small businesses, themselves.

It is important for our fellow citizens to understand that most small businesses pay their business taxes at the individual rates. Most small businesses are sole proprietorships, or limited partnerships and subchapter S corporations. Small businesses ignite America's job engine.

President Bush will not be satisfied until every American who wants a job can find one; until every business has a chance to grow; and until we create lasting prosperity that reaches every corner of America. We urge members of Congress-from both parties-to work together to pass the President's plan.

Thank you.